



WYOMING LEGISLATIVE SERVICE OFFICE

Research Memorandum

LEGISLATIVE OVERSIGHT OF EXECUTIVE BRANCH SALARY SURVEYS IN OTHER STATES

December 2022

by

Kelly Lower, Associate Research Analyst

QUESTION: How do other state legislatures oversee executive branch employee salary surveys, to get an independent "second opinion" on the salary data?

SHORT ANSWER:

Colorado and New Mexico are the only states examined for this report with a statutory requirement of legislative oversight in reviewing the state's annual executive branch salary survey data and labor market analysis process.¹ On a quadrennial basis the Colorado State Auditor's Office must contract a third-party human resources firm to conduct a performance audit of the executive branch salary survey and market analysis process and results for the two preceding "full year" reports and two preceding "maintenance year" reports for which the state personnel director is statutorily responsible.² Additionally, New Mexico's Legislative Finance Committee (LFC) released a program evaluation in 2022 titled: *State Personnel: Compensation, Classification, and Human Resources Authority*, which makes recommendations to the state personnel office and board for the compensation plan process. New Mexico's annual compensation report is submitted to the LFC for review. The LFC is a function of New Mexico's Legislature that provides objective fiscal and public policy analyses, recommendations, and oversight of state agencies.³ Lastly, several states, including Alaska, Colorado, and Washington, contract salary survey and market analysis duties to a third-party firm, rather than using in-house personnel to make these analyses and reports, for an independent opinion of state employee compensation competitiveness.

DISCUSSION:

Wyoming

Wyoming's compensation philosophy outlines the authority and responsibility of the Department of Administration and Information's (A&I) Human Resources Division (HRD) to conduct labor

¹ States examined for this report include Wyoming's surrounding states (Colorado, Idaho, Montana, Nebraska, North Dakota, South Dakota, Utah), Wyoming's remaining comparator states (Arizona, Nevada, New Mexico, Oregon, Washington) and all remaining western states (California, Alaska, Hawaii).

² COLO. REV. STAT. § 24-50-104 (2022).

³ Legislative Finance Committee, New Mexico Legislature (Dec. 7, 2022)
<https://www.nmlegis.gov/Entity/LFC/Default>.

market surveys at regular intervals. These surveys are to compare benchmark⁴ positions and pay from Wyoming's executive branch to Wyoming's private sector and comparator states'⁵ public and private employment data. HRD participates in several employment data surveys and in turn purchases data from these surveys to analyze the competitiveness of Wyoming's state employment total compensation.

Surveys selected for use in the annual report must meet the stated criteria for selection. These criteria include the following requirements⁶:

- i. Adequate job descriptions ensuring appropriate duties and responsibilities can be matched to state jobs;
- ii. The survey reports an effective date of data collection and pay rate;
- iii. The survey reports range minimums and maximums and actual average salaries;
- iv. The survey participants are within our labor market and identified in the survey;
- v. The survey uses well defined methodology in sample selection, data verification and data analyses;
- vi. Survey data is not self-reported by individual employees;
- vii. The survey is available for A&I HRD to examine, verify or purchase.

Survey data are used in the annual market analysis to compare Wyoming's state employment data to the market and determine if the state needs to adjust its pay to be a competitive source of employment. Data is only used from the 12 comparator states selected by the HRD: Arizona, Colorado, Idaho, Montana, Nebraska, Nevada, New Mexico, North Dakota, South Dakota, Oregon, Utah, and Washington. These states are selected based on migration flow, as they have the highest level of outflow from Wyoming, with Texas, California, Florida, and Michigan, removed from the top 15 outflow states due to their incompatibility with Wyoming's economy.⁷ This analysis is performed by HRD personnel and is not contracted out to a third-party compensation specialist firm. The annual report is submitted to the governor for review, with the legislature to determine general pay adjustments.⁸

Colorado

In a similar manner to Wyoming and other states surveyed, Colorado statute requires the state personnel director to establish a position classification system, determine compensation

⁴ Benchmark positions are those selected as a core group of jobs used for comparison with other employers in the market.

⁵ Comparator states are used by Wyoming's HRD in the surveying employment data to compile the annual labor market analysis.

⁶ *State of Wyoming Compensation Philosophy*, Department of Administration & Information (Feb. 21, 2018).

⁷ *State of Wyoming Compensation Package Summary*, Dept. of Administration & Information, Wyoming Legislature, Joint Appropriations Committee meeting materials (Jan. 11, 2022).

⁸ W. S. § 9-2-3207(c)(ii).

methodologies, and create a merit pay system for state employees.⁹ The state personnel director is further responsible for the annual assessment of employee salary surveys from the private and public industry in Colorado and outside Colorado for benchmark positions with an insufficient sample from Colorado employers.¹⁰ The purpose of the annual compensation report is to determine the competitiveness of salaries offered by the State of Colorado. The compensation report is submitted annually to the Governor and the General Assembly's Joint Budget Committee by September 15th.¹¹ The state personnel director delegates this statutory duty to the Division of Human Resources (Division) in the Department of Personnel and Administration. The Division then contracts with a private consulting firm every other year to conduct a labor market survey analysis in much the same way as Wyoming's HRD performs their annual survey and market analysis. This contracted study is referred to as the "full-year" study. In intervening years, the Division follows the same methodology as the previous report created by the private firm, generating the "maintenance year" study.¹²

Every fourth year the state personnel director is required to prepare a quadrennial compensation report derived from the analysis of the previous four annual compensation reports. These reports are based off the analysis of the "full year" studies and maintenance year studies described above. The purpose of this report is the reflection of all adjustments required to maintain the salary, state compensations for group benefit plans, and merit pay standards required for the State of Colorado to be a competitive employer. Additionally, the state auditor is responsible for contracting a third-party firm to perform a performance audit of the procedures used by the firm(s) contracted for the four studies and the resulting annual compensation reports undertaken during the four-year period under review.¹³

The latest performance audit contracted to The Segal Company by the Colorado State Auditor's Office, released in June 2021, gives recommendations to the Department of Personnel and Administration for future compensation reports. Recommendations from Segal include improving the survey sample accuracy, fine-tuning benchmark jobs, and better balancing the survey sample's distribution between private and public sector employment.

New Mexico

New Mexico's Legislative Finance Committee performed a program evaluation on New Mexico's State Personnel Compensation and Classification Plan and Human Resources Authority, released August 2022. The program evaluation presented recommendations for the state personnel board and state personnel office to reduce the amount of job classifications in the state's system, bringing

⁹ COLO. REV. STAT. § 24-50-104 (2022).

¹⁰ COLO. REV. STAT. § 24-50-104 (1)(a)(II) (2022).

¹¹ COLO. REV. STAT. § 24-50-104 (4)(b) and (c) (2022).

¹² *Evaluation of the Colorado Department of Personnel & Administration's Annual Compensation Survey*, State of Colorado, Office of the State Auditor (June 2021).

¹³ COLO. REV. STAT. § 24-50-104 (4)(b)(I) (2022).

the number of classifications to a more manageable level to simplify the review process for the purpose of assessing pay raises and comparing benchmark positions in a market analysis. According to the program evaluation, the figure of classifications far exceeds the amount which the State Personnel Office could reasonably review on an annual basis, and many classifications have only one or very few corresponding positions in the state's employment system.¹⁴

Job classifications require review to maintain consistency in pay across similar positions. The status of the classified pay system is included in the annual compensation report which the director of the state personnel office submits to the state personnel board, is reviewed, and adopted by the board, and then submitted to the governor and the Legislative Finance Committee annually. This report also includes the results of the annual compensation survey, which is required to include private and public entities in the state of New Mexico, regional state government employers, and central, western, and southwestern state government employers.¹⁵

Additionally, the program evaluation cited an uneven distribution of the latest state appropriation for pay increases in the State Personnel Office's fiscal year 2023 pay plan, recommending future pay plans be based off merit and filling critical hard-to-staff positions.¹⁶

Third-Party Consultants for Executive Branch Salary Surveys and Market Analyses

Some states contract third-party human resources firms to survey executive branch pay and perform a market analysis to receive an independent opinion of their state's competitiveness in the labor market. As described above, Colorado contracts their market analysis out every other year and adopts the procedures used by the contacted firm in the intervening years.¹⁷

The state of Washington's Office of Financial Management is required to undertake comprehensive salary and fringe benefit surveys annually.¹⁸ In 2022, the state's Human Resources Division contracted this task to Segal, a third part human resources firm.¹⁹

Alaska's director of personnel is tasked with creating a pay plan for classified and partially exempt positions in the executive branch.²⁰ To this end, the Division of Personnel and Labor within the

¹⁴ *Program Evaluation: State Personnel Compensation and Classification Plan and Human Resources Authority*, New Mexico Legislative Finance Committee (Aug. 17, 2022).

¹⁵ Pay, State Personnel Board, 1.7.4.8 NMAC (8/1/2021).

¹⁶ *Program Evaluation: State Personnel Compensation and Classification Plan and Human Resources Authority*, New Mexico Legislative Finance Committee (Aug. 17, 2022).

¹⁷ *Evaluation of the Colorado Department of Personnel & Administration's Annual Compensation Survey*, State of Colorado, Office of the State Auditor (June 2021).

¹⁸ WASH. REV. CODE ANN. § 41.06.160 (LexisNexis 2022)

¹⁹ *Washington State Employees Compensation Survey Report*, Washington State Office of Financial Management (Dec. 7, 2022) <https://ofm.wa.gov/state-human-resources/compensation-job-classes/compensation-administration/state-salary-survey> (April 2022).

²⁰ ALASKA STAT. § 39.25.150 (2) (2022)

Department of Administration contracted Segal, and Fox Lawson and Associates in 2013 and 2009 respectively, to conduct surveys and reports on Alaska's executive branch pay.²¹

If you have any further questions, please do not hesitate to contact LSO Research at 777-7881.

²¹ Department of Personnel and Labor Studies, Alaska Department of Administration
<https://doa.alaska.gov/dop/reports/doplrStudies/> (accessed 11/30/2022).